

MARQUETTE COUNTY SOLID WASTE
MANAGEMENT AUTHORITY

Financial Statements for the Years Ended
June 30, 2004 and 2003

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Marquette County</i> <i>Solid Waste Management Authority</i>		County <i>Marquette</i>
Audit Date <i>June 30, 2004</i>	Opinion Date <i>August 6, 2004</i>	Date Accountant Report Submitted to State: <i>10/20/04</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ yes ☐ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Anderson, Tackman & Co, PLLC</i>			
Street Address <i>102 W. Washington St. Suite 109</i>	City <i>Marquette</i>	State <i>MI</i>	ZIP <i>49855</i>
Accountant Signature <i>W. C. Shults CPA</i>			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN
ESCANABA
IRON MOUNTAIN
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WISCONSIN
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marquette County Solid Waste
Management Authority

We have audited the accompanying statements of net assets of the Marquette County Solid Waste Management Authority as of June 30, 2004 and 2003 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marquette County Solid Waste Management Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note A, the Marquette County Solid Waste Management Authority has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2004 on our consideration of the Marquette County Solid Waste Management Authority's internal control structure over financial reporting and our tests of it's compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Anderson, Tackman & Co. PLLC
Certified Public Accountants

August 6, 2004

Marquette County Solid Waste Management Authority

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Marquette County Solid Waste Management Authority's financial performance provides an overview of the Facility's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The Facility's net assets were reported for the first time under GASB 34 as of June 30, 2004. Net assets for the Facility as a whole were reported at \$10,947,800. Net assets are comprised of 100% business-type activities.
- During the year, the Facility's total expenses were \$2,188,033 while revenues from all sources totaled \$3,221,280 resulting in a increase in net assets of \$1,033,247.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Facility as a whole and present a longer-term view of the Facility finances.

Reporting the Facility as a Whole

One of the most important questions asked about the Facility's finances is "Is the Facility as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Facility as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Facility's *net assets* and changes in them. You can think of the Facility's net assets - the difference between assets and liabilities - as one way to measure the Facility's financial health, or *financial position*. Over time, *increases or decreases* in the Facility's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Facility's operating base and the condition of the Facility's capital assets, to assess the *overall financial health* of the Facility.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, we report all of the Facility's activities as business-type activities because the Facility charges a fee to residents to help it cover the cost of services it provides.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**The Facility as a Whole** (Continued)

Table I provides a summary of the Facility's net assets as of June 30, 2004.

Table 1
Net Assets

Current and other assets	\$ 8,306,064
Capital assets, net	<u>4,778,684</u>
Total Assets	<u>\$ 13,084,748</u>
Current liabilities	\$ 310,454
Noncurrent liabilities	<u>1,826,494</u>
Total Liabilities	<u>\$ 2,136,948</u>
Net Assets:	
Invested in capital assets	<u>\$ 4,399,102</u>
Unrestricted	<u>6,548,698</u>
Total Net Assets	<u>\$ 10,947,800</u>

Net assets of the Facility's business-type activities stood at \$10,947,800. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$6,548,698.

The \$6,548,698 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Facility as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets (see Table 2), which shows the changes in net assets for fiscal year 2004.

Table 2
Changes in Net Assets

Operating revenues:	
Service revenues	\$ 3,157,413
Operating expenses:	
Operations	(2,065,094)
Nonoperating Revenues (Expenses):	
Investment Expense	(34,604)
Interest Expense	(88,335)
Municipal Fees and Contributions	<u>63,867</u>
Total Nonoperating Revenues (Expenses)	<u>(59,072)</u>
Increase (decrease) in net assets	1,033,247
Net assets, beginning	<u>9,914,553</u>
Net Assets, Ending	<u>\$ 10,947,800</u>

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Facility as a Whole (Continued)

The Facility's total revenues were \$3,321,280. The total cost of all programs and services was \$2,288,033 leaving an increase in net assets of \$1,033,247 as a result of fiscal year 2004 operations.

Due to changes in the GASB 34 requirements we are no longer adding back the depreciation on the buildings which was paid for by grants from the State and Federal government. Therefore, the City and Township will continue to show a decrease in their net assets until such time as the buildings are fully depreciated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Facility had \$11,296,786 invested in a variety of capital assets including land, buildings, and other equipment.

Debt

The Facility has outstanding debt at year-end in the form of bonds in the amount of \$1,140,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the year ending June 30, 2005 there appears to be no anticipated changes in operations or funding concerns.

CONTACTING THE FACILITY FINANCIAL MANAGEMENT

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Facility's finances and to show the Facility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Facility Administrator at Marquette County Solid Waste Management Authority, 600 County Road NP, Marquette, MI 49855.

MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 935,117	\$ 1,063,729
Accounts receivable	791,687	319,988
Prepaid Expenses	2,728	-
Inventory	<u>42,864</u>	<u>47,379</u>
Total current assets	<u>1,772,396</u>	<u>1,431,096</u>
Noncurrent assets:		
Capital assets:		
Land	96,442	96,442
Land improvements	2,694,163	2,588,795
Area 1-Cell	1,593,140	1,593,140
Area 2-Cell	1,866,049	1,866,049
Area 3-Cell	1,183,934	1,183,459
Area 4-Cell	404	404
Area 5-Cell	3,291	3,291
Area 8-Cell	1,432	1,432
Area 9-Cell	2,741	2,741
Area 0-Cell	558,558	59,024
Cell Expansion	60,608	60,608
Building and building improvements	963,319	961,135
Equipment	<u>2,272,705</u>	<u>2,044,798</u>
	11,296,786	10,461,318
Less accumulated depreciation	<u>(6,518,102)</u>	<u>(5,950,223)</u>
Net capital assets	<u>4,778,684</u>	<u>4,511,095</u>
Designated assets:		
Investments:		
Construction funds	2,879,313	2,919,614
Equipment Replacement	1,732,838	1,525,620
Funded compensated absences	47,301	47,598
Host Community Fee	67,998	62,505
Contaminated Soil	641,051	603,899
Household Hazardous Waste	117,400	137,779
Closure and postclosure care costs	<u>261,719</u>	<u>244,998</u>
Total designated assets	5,747,620	5,542,013
Restricted asset:		
Perpetual care	768,537	711,677
Other assets:		
Unamortized bond issuance costs	<u>17,511</u>	<u>21,013</u>
 TOTAL ASSETS	 <u>\$ 13,084,748</u>	 <u>\$ 12,216,894</u>

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 54,220	\$ 137,263
Accrued wages payable	20,209	20,182
Accrued sick and vacation pay	31,848	15,398
Other accrued expenses	1,155	2,325
Accrued interest payable	13,022	14,618
Current portion of bonds payable	<u>190,000</u>	<u>175,000</u>
Total current liabilities	<u>310,454</u>	<u>364,786</u>
Non-current liabilities:		
Bonds payable	950,000	1,140,000
Accrued closure and postclosure care costs	<u>876,494</u>	<u>797,555</u>
Total non-current liabilities	<u>1,826,494</u>	<u>1,937,555</u>
TOTAL LIABILITIES	<u><u>\$ 2,136,948</u></u>	<u><u>\$ 2,302,341</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 3,638,682	\$ 3,196,095
Reserved for perpetual care	760,420	711,677
Unrestricted	<u>6,548,698</u>	<u>6,006,781</u>
TOTAL NET ASSETS	<u><u>\$ 10,947,800</u></u>	<u><u>\$ 9,914,553</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services:		
Tipping Fees	\$ 1,688,218	\$ 1,550,426
Environmental escrow fee	21,468	16,698
Host community fee	87,524	67,954
Perpetual care fee	65,643	51,397
Fee for capital replacement	431,092	564,831
Contaminated soil fees	308,361	40,023
Household hazardous waste fees	45,942	43,647
Tires	21,648	14,755
Special waste	57,835	62,899
Miscellaneous	15,102	15,290
Carryover rebate	(75,969)	-
Grant proceeds	18,947	4,968
Reimbursements	17,786	18,867
Construction - Sinking Fund	453,816	105,691
TOTAL OPERATING REVENUES	<u>3,157,413</u>	<u>2,557,446</u>
OPERATING EXPENSES:		
Salaries and wages	397,317	339,736
Fringe benefits	167,095	104,367
Payroll taxes	39,448	37,372
Contractual services	246,042	379,677
Operating supplies	310,375	283,632
Rentals	2,605	10,522
Utilities	38,276	22,465
Insurance	29,942	22,910
Depreciation and amortization	571,427	430,351
Closure and postclosure care costs	78,939	99,322
Host community fee	-	67,954
Other operating expenses	183,628	42,967
TOTAL OPERATING EXPENSES	<u>2,065,094</u>	<u>1,841,275</u>
OPERATING INCOME (LOSS)	1,092,319	716,171
NONOPERATING REVENUES (EXPENSES):		
Interest income	(34,604)	247,703
Collection from municipalities for debt service	21,674	25,827
Interest expense	(88,335)	(102,848)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(101,265)</u>	<u>170,682</u>
INCOME BEFORE CONTRIBUTIONS	991,054	886,853
Capital contributions	42,193	38,576
CHANGE IN NET ASSETS	1,033,247	925,429
Total net assets, beginning of year	9,914,553	8,989,124
TOTAL NET ASSETS, END OF YEAR	<u>\$ 10,947,800</u>	<u>\$ 9,914,553</u>

The accompanying notes to financial statements are an integral part of this statement.

MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from charges for services	\$ 2,195,165	\$ 2,320,137
Other operating revenues	490,549	127,751
Cash paid for salaries and wages, fringe benefits and payroll taxes	(587,383)	(479,985)
Cash paid to suppliers for goods and services	(893,340)	(784,968)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,204,991</u>	<u>1,182,935</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received from municipalities for debt service	21,674	25,827
Cash received from municipalities for capital contributions	42,193	38,576
Interest paid on long-term debt	(89,926)	(107,120)
Principal paid on long-term debt	(175,000)	(160,000)
Fixed asset disposal	-	8,100
Fixed asset additions, net of trade in allowance	(835,468)	(446,114)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(1,036,527)</u>	<u>(640,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income(loss)	(34,609)	247,703
Additions to restricted assets	(262,467)	162,527
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(297,076)</u>	<u>410,230</u>
Net increase (decrease) in cash and cash equivalents	(128,612)	952,434
Cash and cash equivalents, beginning of year	1,063,729	111,295
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 935,117</u>	<u>\$ 1,063,729</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,092,319	\$ 716,171
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	571,427	430,351
Gain on disposal of equipment	-	(1,775)
Closure and postclosure care costs	78,939	99,322
(Increase) decrease in:		
Accounts receivable	(471,699)	(107,783)
Inventories	4,515	(13,637)
Prepaid Expenses	(2,728)	-
Increase (decrease) in:		
Accounts payable	(83,043)	56,673
Accrued wages	27	4,256
Accrued compensated absences	16,450	(2,766)
Other accrued expenses	(1,216)	2,123
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,204,991</u>	<u>\$ 1,182,935</u>
NON-CASH ACTIVITY		
The following non-cash transaction was recorded during the current year to record the effects of GASB #18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs."		
Landfill closure and postclosure care liability	\$ 78,939	\$ 99,322
Closure and postclosure care expense	(78,939)	(99,322)
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

Marquette County Solid Waste Management Authority
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of the Reporting Entity - The Authority was incorporated on July 15, 1988, pursuant to Act 233, Public Acts of Michigan, 1955, by the City of Marquette and the Township of Sands in order to provide for the disposal of solid waste to constituent municipalities in Marquette County, Michigan. The separate consolidated legal entity was designated as the Marquette County Solid Waste Management Authority. Act 94 of the Public Acts of 1933 and the Authority's Articles of Incorporation authorize the Authority to issue self liquidating revenue bonds to finance the acquisition and construction of facilities as needed for the management and disposal of solid waste.

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority's policies conform to generally accepted accounting principles as applicable to governmental proprietary funds and as such, funds are accounted for using the accrual basis of accounting. Under the accrual basis method of accounting revenue is recognized when earned, and expenses when incurred. The Authority applies all applicable FASB pronouncements in accounting and reporting for its operations.

Fixed Assets and Long-Term Liabilities - The Authority's activity, under the proprietary fund concept, is accounted for on a cost of service or "capital maintenance" measurement focus. Accordingly, all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheet with reported fund equity (net total assets) segregated into contributed capital and retained earnings components.

Depreciation is provided in the Authority's financial statements in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line basis. Estimated useful lives by type of asset are as follows:

Land improvements	40 years
Building and improvements	40 years
Equipment	3 to 40 years

Costs incurred for the design and construction of individual cells are depreciated under the use method, which depreciates the cost incurred based on each cell's usage to date as a percentage of total capacity. Area 1-Cell and Area 2A-Cell are fully depreciated as of June 30, 1999.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation recognized on assets acquired or constructed through contributions from municipalities restricted for capital acquisitions are closed into the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

Amortization of Bond Issuance Costs - The costs of issuance of bonds are being amortized, on the straight-line method, over the life of the bonds.

Inventory - Inventories of operating and office supplies are stated at the lower of cost or market, determined by the first-in, first-out method of valuation.

Cash and Equivalents - For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Budget - The Authority follows these procedures in establishing budgetary data:

- a) Authority administration prepares and submits to the Authority Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with generally accepted accounting principles.
- b) The Authority Board formally adopts the finalized operating budget at a normal public meeting held prior to the commencement of the fiscal year.
- c) Authority administration is authorized to transfer budgeted amounts between line items within departmental budgets with post transfer Board approval.
- d) Formal budgetary integration is employed as a management control device during the year.
- e) The Authority is not legally required to adopt a budget, therefore no budgetary information discussed.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Change - Effective July 1, 2003, the Authority implemented the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Authority's financial statements as a result of GASB No. 34 included the addition of a Management's Discussion and Analysis section to provide an analysis of the Facility's overall financial position as well as changing the classification of "retained earnings" to "net assets".

NOTE B - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds and other direct obligations of the United States or agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investments by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's, but not the remainder of State statutory authority as listed above.

The Authority presently has certain deposits that are not in accordance with statutory authority.

The Authority's deposits and investments were reported in the following categories:

	<u>2004</u>	<u>2003</u>
Unrestricted:		
Cash and cash equivalents	\$(13,609)	\$ 38
Designated assets:		
Cash equivalents	948,726	1,058,201
Construction funds	2,879,313	2,919,614
Equipment replacement	1,732,838	1,525,620
Compensated absences	47,301	47,598
Host community fee	67,998	62,505
Contaminated soil	641,051	603,899
Household hazardous waste	117,400	137,779
Closure and postclosure care costs	261,719	244,998
Restricted assets:		
Perpetual care	<u>768,537</u>	<u>711,677</u>
TOTAL	<u>\$7,451,274</u>	<u>\$7,311,929</u>

The breakdown between deposits and investments are as follows:

	<u>2004</u>	<u>2003</u>
Deposits and petty cash	\$1,215,842	\$1,733,333
Investments	<u>6,235,432</u>	<u>5,578,596</u>
Total	<u>\$7,451,274</u>	<u>\$7,311,929</u>

NOTE B - DEPOSITS AND INVESTMENTS (Continued):

The bank balance of the Authority's deposits at June 30, 2004 is \$1,256,110 of which \$1,256,110 is insured by the federal depository insurance. The remaining balance of \$0 is uninsured and uncollateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Authority or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the government's name.

The Authority's investment balances were categorized as follows:

2004			
	Category		
	<u>1</u>	<u>2</u>	<u>3</u>
U.S. Government Securities	\$ -	\$4,580,332	\$ -
Investments Not Subject to Categorization:			
Money Market Funds			
			<u>1,655,100</u>
			TOTAL <u>\$6,235,432</u>

2003			
	Category		
	<u>1</u>	<u>2</u>	<u>3</u>
U.S. Government Securities	\$ -	\$1,793,141	\$ -
Investments Not Subject to Categorization:			
Money Market Funds			
			<u>3,785,455</u>
			TOTAL <u>\$5,578,596</u>

NOTE C – DESIGNATED ASSETS:

Construction Funds - Construction funds represent a portion of the tipping fee designated for ongoing and future cell construction at the landfill. Currently, \$6.81 per ton is deposited in a trust account for this purpose. The June 30, 2004 balance is \$2,879,313.

Equipment Replacement - The June 30, 2004 balance of \$1,732,838 represents money designated for ongoing equipment replacements, equipment financing and purchases of new equipment. At the present time, \$6.04 per ton is collected and deposited in trust accounts for this purpose.

NOTE C – DESIGNATED ASSETS (Continued):

Funded Compensated Absences – The Authority has earmarked funds to liquidate the compensated absence time earned but unused by employees that will become due and payable to them upon their termination or retirement. As of June 30, 2004, the Authority has accumulated \$47,301 for the liability due to employees upon severance.

Host Community Fee - Under the Intergovernmental Agreement, Sands Township is to receive \$1.00 per ton of waste disposed of at the facility for its role as host community. Collections are deposited in a trust account and paid to Sands Township once per year in July or August. The balance of deposits as of June 30, 2004 is \$67,998.

Contaminated Soil - For each ton of contaminated soil collected by the Authority, \$23.00 is deposited in a trust account to cover the costs of any future environmental problems associated with the disposal of the contaminated soil. The balance of deposits as of June 30, 2004 is \$641,051.

Household Hazardous Waste - The June 30, 2004 balance of \$117,400 represents money designated for the future costs of collection and disposal of Household Hazardous Waste. Currently, \$0.63 per ton is collected and deposited in a trust account for this purpose.

Closure and Post Closure Care Funds - Environmental Escrow Fee - For each ton of waste collected, the Authority deposits \$0.25 in a trust account to cover the costs of any future environmental problems. The balance as of June 30, 2004 is \$261,719.

NOTE D – RESTRICTED ASSETS:

Perpetual Care - Under Act 641 of the Public Acts of 1978, the Authority is required by the State of Michigan to establish and maintain a Perpetual Care Fund, to be used exclusively for closure, monitoring and maintenance of the landfill. Funding requirements for this fund are \$0.75 for each ton of solid waste disposed of at the facility. The balance of the Perpetual Care Fund as of June 30, 2004 is \$768,537.

NOTE E - BONDS PAYABLE:

1988 Issue Unrefunded Bonds - On November 3, 1988, the Authority originally issued Marquette County Solid Waste Management Authority Bonds, Series 1988 in the amount of \$2,675,000 to pay for part of the cost of acquiring, constructing and establishing a sanitary landfill and a solid waste management system. Five of the constituent municipalities; the City of Marquette, Forsyth Township, Wells Township, Negaunee Township, and Ishpeming Township borrowed \$644,943 to fund their initial capital contribution in addition to their proportionate share of the Authority's debt. Repayment of this portion of the debt is to be provided by these constituent municipalities in annual installments over the term of the bond issue. Each constituent municipality has agreed to

NOTE E - BONDS PAYABLE (Continued):

repayment of its proportionate share of the Authority's debt and the City of Marquette has pledged its full faith and credit for repayment of principal and interest. Interest is payable on November 1 and May 1 each year until the bonds are paid.

In July of 1993, the Authority advance refunded the portion of this issue maturing in fiscal years 1997 - 2009 with the 1993B Issue, Refunding Bonds. In essence, the Authority defeased these general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements.

1993B Issue, Refunding Bonds - On July 13, 1993 the Authority advance refunded the Marquette County Solid Waste Management Authority, Series 1988 Bonds by issuing \$2,195,000 in Local Government Loan Program Refunding Revenue Bonds,, Series 1993B through the Michigan Municipal Bond Authority. The bonds bear interest at an average coupon rate of 4.919% and are due in annual installments of between \$95,000 and \$270,000 from May 1, 1997, through May 1, 2009. Interest is payable on November 1 and May 1 each year until the bonds are paid.

The bonds are subject to early redemption in whole or in part in multiples of \$5,000 after November 1, 1998 at the following redemption prices (expressed as a percentage of their principal amounts), plus accrued interest to the redemption date:

<u>Period during which Redeemed</u>	<u>Redemption Price</u>
May 1, 1998 and thereafter	102%

Annual maturities of the Local Government Loan Program Refunding Revenue Bonds, Series 1993B are as follows:

<u>Maturity Date May 1</u>		<u>Municipalities Portion</u>	<u>Authority's Portion</u>	<u>Total Maturity</u>
2005	\$	45,809 \$	144,191 \$	190,000
2006		50,631	159,369	210,000
2007		54,248	170,752	225,000
2008		59,069	185,931	245,000
2009		<u>65,097</u>	<u>204,903</u>	<u>270,000</u>
	\$	<u>274,854</u> \$	<u>856,146</u> \$	<u>1,140,000</u>

NOTE F - DEFINED BENEFIT PENSION PLAN - GENERAL PLAN:

The following information is based upon the latest available actuarial valuation as of December 31, 2002.

NOTE F - DEFINED BENEFIT PENSION PLAN - GENERAL PLAN (Continued):

Plan Description

The Authority contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The

System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

The qualifying full-time employees of the Authority are eligible to participate in the System. Benefits vest after ten years of service. Authority employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount ranging from 2.0% to 2.5% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and the Authority's Board of Trustees.

Funding Policy

Authority employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200 of their annual salary to the System. The Authority is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended June 30, 2004, the Authority's annual pension cost of \$23,616 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, (latest available report) using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period of 33 years.

Analysis of Funding Progress Three - Year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/00	\$481,108	\$363,001	\$118,107	75	\$296,288	40
12/31/01	604,961	428,996	175,965	71	302,781	58
12/31/02	656,240	478,871	177,369	73	254,249	70

NOTE G - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Authority currently participates with other municipalities and special purpose governments in the Michigan Municipal Risk Management Authority, a public entity risk pool operating as a common risk management and insurance program. The Authority pays an annual premium for its general liability and real personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - CLOSURE AND POST CLOSURE CARE COST:

State and federal laws and regulations require the Authority to place a final cover on remaining open cells when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure costs on remaining open cells and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of the closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

As of June 30, 2004, the Authority has consumed 23.8 percent of the estimated capacity of the landfill and has recognized \$876,493 of the estimated cost of closure and postclosure care of \$3,681,612.

The closure and postclosure liability estimate is based on what it would cost to perform all closure and postclosure care in fiscal 2004. The Authority expects to close the landfill in the year 2056. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Authority is in compliance with these requirements, and, at June 30, 2004, investments of \$768,537 are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by increases in tipping fees or from future tax revenue.

NOTE I - LETTERS OF CREDIT:

The Marquette County Solid Waste Management Authority currently has letters of credit with a bank to meet operating license requirements in the amounts of \$2,097,574. The balance due on these letters of credit is -0- at June 30, 2004.

COMPLIANCE SUPPLEMENT



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Marquette County Solid Waste
Management Authority

We have audited the financial statements of the Marquette County Solid Waste Management Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marquette County Solid Waste Management Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that requires reporting under *Government Auditing Standards*. As described in Footnote B of the financial statements, certain investments being held are in financial institutions that do not presently have an office in the State of Michigan and are accordingly in violation of the state statutes. We suggest that as these investments mature they conform to the statute requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette County Solid Waste Management Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

Board of Trustees
Marquette County Solid Waste
Management Authority

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Authority, federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Co. PLLC
Certified Public Accountants

August 6, 2004